

Helping Hedge Fund Investors Understand & Remember Your Fund



Hedge funds are revealing too little about themselves.

This complaint comes from the very institutional investors to whom hedge funds are marketing.



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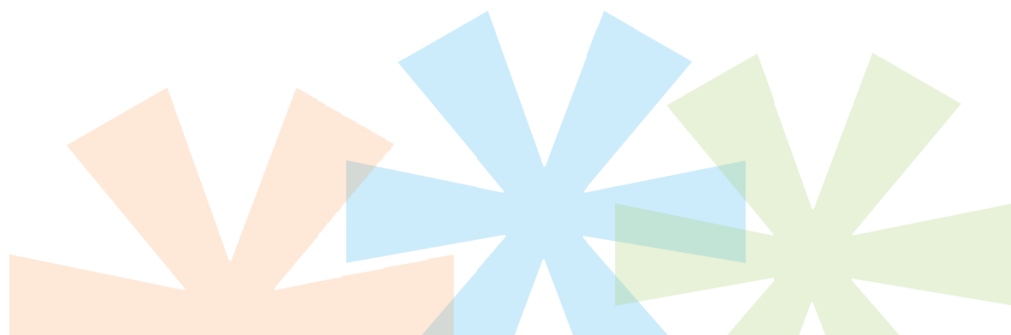
Frumerman&Nemeth Inc.

SEI recently released the results from its fifth annual survey of institutional hedge fund investors, conducted in collaboration with Greenwich Associates, The Shifting Hedge Fund Landscape. Three recommendations in this 2012 report clearly indicate that the surveyed investors are asking hedge funds to “provide more windows into investment processes and decision-making,” as SEI puts it.

All hedge fund firms know that they have to deliver marketing collateral into the hands of institutional investor prospects who may take months before getting around to looking at those documents again when discussing the hedge fund and its strategy in an investment committee meeting. But hedge funds’ communications have not been doing a good enough job.

SEI tells hedge funds that they need to make their strategies more understandable, specifically by thoroughly explaining the investment process used to generate returns. SEI notes that this communications is not a one-time thing. They tell hedge fund firm owners to keep articulating and reinforcing their value propositions throughout the selling cycle, demonstrating exactly how a fund’s strategy and methods are enhancing a client’s risk-adjusted portfolio returns. Also, SEI comments that performance expectations need to be better clarified. Hedge fund managers need to better educate clients about risk/reward tradeoffs and how their strategies can be expected to perform under various market conditions.

Too few hedge funds are communicating enough detail about how they think and how they invest. Today it is no longer acceptable for a hedge fund manager to keep these specifics in his head; nor for a sales person to believe she only has to be able to recite all this required information in a verbal presentation at a pitch meeting with a prospect. Institutional investors need to have this information in writing. They refer to a hedge fund’s marketing collateral months after a hedge fund has made its in-person presentation, when the institution’s investment committee finally gets around to discussing the hedge fund firm and its strategy. Is your hedge fund making it easy for prospects to sufficiently remember your fund and be able to discuss how you invest months after you last sat down with them?



As SEI's survey makes clear, hedge funds have not built out their storyline content enough to fully explain how they invest, differentiate themselves from competitors and communicate appropriate performance expectations. Frummerman & Nemeth knows why this is too often so. Many hedge fund firm owners create their investment storylines by trying to think in bullet points; because that is what goes into a flip chart pitchbook. That is the wrong starting point and the wrong point of reference. Think this way and you end up leaving out too much detail about what you do – detail that prospective investors want to hear from you. Market this way and you may leave some prospects thinking your firm lacks transparency and others that your firm lacks the competence to pull off what you claim to achieve with your strategy. Here is a communications marketing secret: a flip chart pitchbook is a marketing tool, not the only marketing tool.

A flip chart pitchbook is not a leave-behind piece whose copy retells on paper the detail of what a fund manager presents verbally at a pitch meeting regarding the full story of his fund and its investment process. Institutional investors have learned from experience that bullet points in the typical flip chart pitch book rarely tell the full story. In a meeting, the portfolio manager or salesperson usually “fills in the blanks”, adding more information as they elaborate about their firm and its investment process. Do you really believe that all of your prospects are attentive enough to absorb and recall this non-documented content months later, when making investment allocation decisions? If so, you are mistaken. Would you like to do a more effective job of thoroughly explaining your fund's strategy and process in writing?

Here is how to start: Write yourself a clean, rethought, long version storyline, using complete sentences, that explains your investment beliefs and details the process you follow to implement your strategy. Keep in mind that people will not be able to follow you if your explanation about how you invest jumps around. You need to build and tell a linear story. Moreover, this long version storyline you have just written needs to be worded so that it is buyer focused and not seller focused.

Once you have created this new marketing copy draft set it aside for a day. Then, turn back to it and reread what you wrote. Try to do so with the critical eye of skeptical prospects. Is what you wrote cogent and compelling? Do not try to kid yourself here. If what you wrote was about another hedge fund would you be impressed or not? If not, rewrite your long version storyline and self-test it again.

Once you are happy with your new, long version storyline copy about how you invest you will have the core content that can be applied to a range of marketing tools. The long version storyline copy will become the meat of your in-person verbal presentation. Highlights of the long version storyline can be added to the data presented in your flip chart pitchbook and also used in a fact sheet/backgrounder piece. Your firm's long version storyline content also belongs in a document of its own: an “evergreen” brochure that just addresses investment process. This marketing tool should retell in print what you communicate verbally at a pitch meeting for educating and persuading people to understand and buy into how you invest.

Writing a long version storyline to tell and sell a firm's investment process story to institutional investors is a skill. You need to have a buyer-focused understanding of the questions and concerns of your prospects, and you have to answer these fully. Even though you know your investment process inside and out, writing it down in a way that a prospect can understand and appreciate it is time-consuming, hard and lonely work.

You might think to enlist someone at your firm to help, a salesperson perhaps. But they only know what you've told them and not what's still in your head that you've never communicated. If you cannot do a good job in-house of building a more competitive story yourself about how you invest find yourself an expert to team with who can provide your hedge fund with the insight, perspective and skills your firm lacks internally.

How useful is adding a brochure format marketing piece as a selling tool to provide, as SEI puts it, “more windows into investment processes and decision-making”?

“If you want to put your firm in a more competitive position for attracting new investors you need to do a better job of articulating and reinforcing your value proposition.”

Here is a recent case example from a hedge fund client of my communications and sales marketing consulting firm. Having presented his pitch to a university endowment officer, the fund manager was complimented on his evergreen brochure leave-behind because, as the prospect noted, it fully retold the fund's investment process that was given in the verbal pitch. That endowment officer added that nine out of ten times he is only given a flip chart pitchbook from those who pitch him, so he often lacks the investment process detail he needs, in an easily accessible marketing piece, for his due diligence. Another endowment team the hedge fund manager met with echoed that feedback. After telling the hedge fund manager they liked how his investment process was clearly spelled out in his 12-page, brochure-format leave-behind, they complained to him about getting too many 50-page pitchbooks from other money management firms.

If you want to put your firm in a more competitive position for attracting new investors you need to do a better job of articulating and reinforcing your value proposition; both with the story you tell and the range of marketing collateral in which you deliver it. Once you have made it easier for institutional investors to remember and recount to fellow investment committee members how your firm invests you will have created a competitive edge in your marketing. *

***Bruce Frummerman** is CEO of Frummerman & Nemeth Inc., a communications and sales marketing consultancy that helps financial services firms create brand identities for their organizations and develop and implement effective new marketing strategies and programs. His firm's work has helped money management clients attract over \$7 billion in new assets, yet Frummerman & Nemeth is not a Third Party Marketing firm. Bruce has over 30 years of experience in helping money managers to develop buyer-focused positioning strategies to differentiate them from their competitors; create more cogent and compelling sales presentations and marketing materials to better tell their story; and use media relations marketing and industry conference speaking opportunities to help establish a branded identity for their organization by generating third-party endorsement for the expertise of their people, the value of their services and the quality of their products. He has authored many articles on the topic of marketing money management services and is a frequent speaker on the subject at industry conferences. He can be reached at info@frummerman.com, or by visiting www.frummerman.com.*